

Turkey Valley Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2006

Table of Contents

Officials		<u>Page</u>
		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Funds		33
Notes to Required Supplementary Information- Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	35
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2	36
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	3	37
Schedule of Revenues by Source and Expenditures by Function- All Governmental Funds	4	38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		39-40
Schedule of Findings		41-43

Turkey Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2005 Election)

Roger Ott	President	2005
Linus Kuhn	Vice President	2006
John Cuvelier	Board Member	2006
Scott Adams	Board Member	2005
Jolene Steinlage	Board Member	2007

Board of Education

(After September 2005 Election)

Roger Ott	President	2008
Linus Kuhn	Vice President	2006
John Cuvelier	Board Member	2006
Scott Adams	Board Member	2008
Jolene Steinlage	Board Member	2007

School Officials

John Rothlisberger	Superintendent	2006
Cathy Dietzenbach *	Business Manager	2006
Janice Meyers	Board Treasurer/Business Manager	2007
Joan Busta	Board Secretary	2007
Brian Gruhn	Attorney	2006

* Resigned 6-9-06

Independent Auditor's Report

To the Board of Education of
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District, Jackson Junction, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

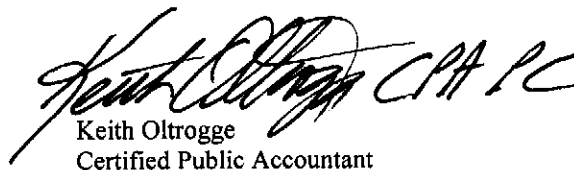
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 26, 2006 on my consideration of Turkey Valley Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

September 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Turkey Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,314,019 in fiscal year 2005 to \$4,456,425 in fiscal year 2006, while General Fund expenditures increased from \$4,294,132 in fiscal 2005 to \$4,441,745 in fiscal 2006. The District's General Fund balance increased from \$369,744 in fiscal 2005 to \$384,424 in fiscal year 2006, a 3.8% increase.
- The increase in General Fund revenues was attributable to increases in local sources in fiscal 2006. The increase in expenditures was due to an increase in overall expenses.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 8.61% in 2005 to 8.65% in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Turkey Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Turkey Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Turkey Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Turkey Valley Community School District Annual Financial Report

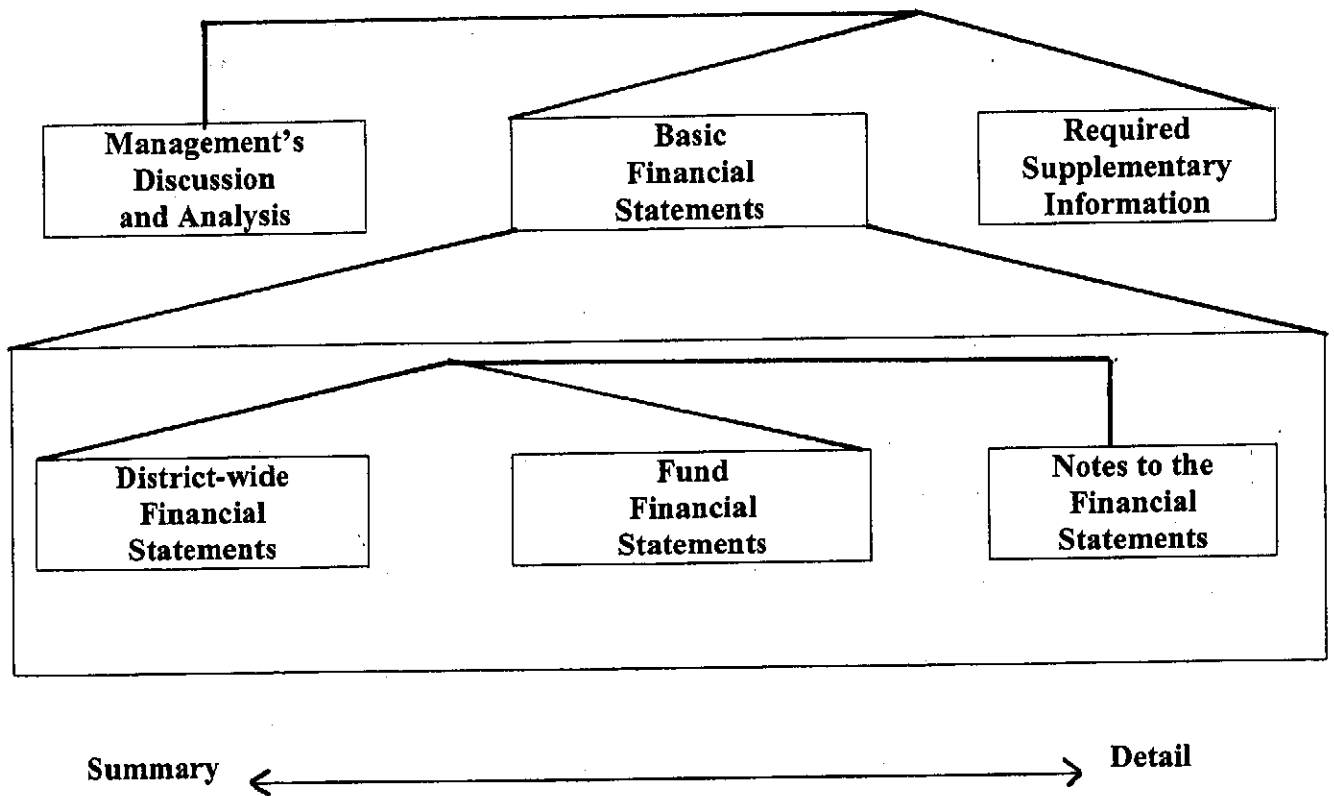


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$2,777,754	\$3,181,246	\$11,254	\$7,154	\$2,789,008	\$3,188,400	-\$399,392
Capital assets	2,122,007	1,987,178	24,160	26,972	2,146,167	2,014,150	132,017
Total assets	\$4,899,761	\$5,168,424	\$35,414	\$34,126	\$4,935,175	\$5,202,550	-\$267,375
Long-term liabilities	\$257,035	\$369,733	\$-	\$-	\$257,035	\$369,733	-\$112,698
Other liabilities	1,926,343	2,393,418	32,919	2,871	1,959,262	2,396,289	-437,027
Total liabilities	\$2,183,378	\$2,763,151	\$32,919	\$2,871	\$2,216,297	\$2,766,022	-\$549,725
Net assets:							
Invested in capital assets, net of related debt	\$1,913,212	\$1,645,301	\$24,160	\$26,972	\$1,937,372	\$1,672,273	\$265,099
Unrestricted	803,171	759,972	-21,665	4,283	781,506	764,255	17,251
Total net assets	\$2,716,383	\$2,405,273	\$2,495	\$31,255	\$2,718,878	\$2,436,528	\$282,350

The District's combined net assets increased by nearly 10.4%, or \$282,350, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$17,251, or 2.2%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$556,725	\$160,828	\$717,553
Operating grants, contributions and restricted interest	547,979	79,336	627,315
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,841,014	-	1,841,014
Local option sales and services tax	319,321	-	319,321
Unrestricted state grants	1,936,290	-	1,936,290
Unrestricted investment earnings	53,646	2,349	55,995
Other	36,805	500	37,305
Total revenues	\$5,291,780	\$243,013	\$5,534,793
Program expenses:			
Governmental activities:			
Instruction	\$3,311,475	\$-	\$3,311,475
Support services	1,483,192	-	1,483,192
Non-instructional programs	1,650	271,773	273,423
Other expenses	184,353	-	184,353
Total expenses	\$4,980,670	\$271,773	\$5,252,443
Change in net assets	\$311,110	-\$28,760	\$282,350

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,291,780 and expenses were \$4,980,670.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,311,475	\$2,241,174
Support services	1,483,192	1,448,789
Non-instructional programs	1,650	1,650
Other expenses	184,353	184,353
Totals	\$4,980,670	\$3,875,966

- The cost financed by users of the District's programs was \$717,553.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$627,315.
- The net cost of governmental activities was financed with \$2,160,335 in property and other taxes and \$1,936,290 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$243,013 and expenses were \$271,773. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Turkey Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,716,383, comparable to last year's ending fund balance of \$2,405,273.

Governmental Fund Highlights

- The District is trying to curb all unnecessary expenditures while providing excellent educational opportunities for the students.
- The Physical Plant and Equipment Levy (PPEL) Fund balance has decreased from \$106,360 to \$70,387, a total of \$35,973.
- The Capital Projects Fund balance has increased from \$206,336 to \$254,148, a total of \$47,812. The Capital Projects Fund balance is paying the principal and interest on the Early Childhood Literacy Addition over four and one-half years. Revenues from the one-cent sales tax have increased over the year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased \$3,321. For fiscal 2006, the District did not charge the School Nutrition Fund for all secretarial or custodial help incurred by this program.

BUDGETARY HIGHLIGHTS

The District's Governmental receipts were \$11,863 less than budgeted receipts, a variance of .2%. The variance resulted from the District receiving less in state aid than originally anticipated.

Total Governmental expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$2,146,167, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6.2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$202,904.

The original cost of the District's capital assets was \$6,129,100. Governmental funds account for \$6,089,341, with the remainder of \$39,759 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$31,046	\$31,046	\$-	\$-	\$31,046	\$31,046	\$-
Buildings	1,608,115	1,568,011	-	-	1,608,115	1,568,011	40,104
Improvements other than buildings	59,972	61,307	-	-	59,972	61,307	-1,335
Furniture and equipment	422,874	326,814	24,160	26,972	447,034	353,786	93,248
Totals	\$2,122,007	\$1,987,178	\$24,160	\$26,972	\$2,146,167	\$2,014,150	\$132,017

Long-Term Debt

At June 30, 2006, the District had \$257,035 in general obligation and other long-term debt outstanding. This represents a decrease of 30.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
General obligation bonds	\$208,795	\$341,877	-\$133,082
Early retirement	48,240	27,856	20,384
Totals	\$257,035	\$369,733	-\$112,698

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District has experienced declining enrollment for the past years and expects it to continue to decline in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Meyers, Board Treasurer, Turkey Valley Community School District, Jackson Junction IA 52171.

Basic Financial Statements

Turkey Valley Community School District

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Other	\$ 764,583	\$ 6,391	\$ 770,974
Receivables:			
Property tax:			
Delinquent	37,218	-	37,218
Succeeding year	1,894,399	-	1,894,399
Accounts	3,683	-	3,683
Accrued interest:			
Other	645	64	709
Due from other governments	77,226	-	77,226
Inventories	-	4,799	4,799
Capital assets, net of accumulated depreciation	2,122,007	24,160	2,146,167
Total Assets	\$ 4,899,761	\$ 35,414	\$ 4,935,175
Liabilities			
Excess of warrants over bank balance	\$ -	\$ 32,081	\$ 32,081
Accounts payable	12,841	-	12,841
Salaries and benefits payable	14,117	-	14,117
Accrued interest payable	515	-	515
Deferred revenue-succeeding year property tax	1,894,399	-	1,894,399
Deferred revenue-other	-	838	838
Early retirement benefits	4,471	-	4,471
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	138,332	-	138,332
Early retirement	14,520	-	14,520
Portion due after one year:			
General obligation bonds payable	70,463	-	70,463
Early retirement	33,720	-	33,720
Total Liabilities	\$ 2,183,378	\$ 32,919	\$ 2,216,297
Net Assets			
Invested in capital assets, net of related debt	\$ 1,913,212	\$ 24,160	\$ 1,937,372
Unrestricted	803,171	-21,665	781,506
Total Net Assets	\$ 2,716,383	\$ 2,495	\$ 2,718,878

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2006

	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,304,807	\$ 244,391	\$ 405,308	\$ -
Special instruction	414,214	65,277	105,777	-
Other instruction	592,454	247,057	2,491	-
	<u>\$ 3,311,475</u>	<u>\$ 556,725</u>	<u>\$ 513,576</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 160,743	\$ -	\$ 6,974	\$ -
Instructional staff services	106,888	-	-	-
Administration services	534,878	-	-	-
Operation and maintenance of plant services	361,712	-	-	-
Transportation services	318,971	-	27,429	-
	<u>\$ 1,483,192</u>	<u>\$ -</u>	<u>\$ 34,403</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 1,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Long-term debt interest	\$ 8,711	\$ -	\$ -	\$ -
AEA flow-through	175,642	-	-	-
	<u>\$ 184,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 4,980,670</u>	<u>\$ 556,725</u>	<u>\$ 547,979</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 223,696	\$ 145,332	\$ 79,336	\$ -
Preschool operations	48,077	15,496	-	-
	<u>\$ 271,773</u>	<u>\$ 160,828</u>	<u>\$ 79,336</u>	<u>\$ -</u>
Total	<u>\$ 5,252,443</u>	<u>\$ 717,553</u>	<u>\$ 627,315</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,655,108	\$	-	\$ -1,655,108
	-243,160		-	-243,160
	-342,906		-	-342,906
\$	-2,241,174	\$	-	\$ -2,241,174
<hr/>				
\$	-153,769	\$	-	\$ -153,769
	-106,888		-	-106,888
	-534,878		-	-534,878
	-361,712		-	-361,712
	-291,542		-	-291,542
\$	-1,448,789	\$	-	\$ -1,448,789
<hr/>				
\$	-1,650	\$	-	\$ -1,650
<hr/>				
\$	-8,711	\$	-	\$ -8,711
	-175,642		-	-175,642
\$	-184,353	\$	-	\$ -184,353
<hr/>				
\$	-3,875,966	\$	-	\$ -3,875,966
<hr/>				
\$	-	\$	972	\$ 972
	-		-32,581	-32,581
\$	-	\$	-31,609	\$ -31,609
<hr/>				
\$	-3,875,966	\$	-31,609	\$ -3,907,575

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2006

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net assets			
Net assets beginning of year			
 Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,706,960	\$ -	\$ 1,706,960
134,054	-	134,054
319,321	-	319,321
1,936,290	-	1,936,290
53,646	2,349	55,995
36,805	500	37,305
\$ 4,187,076	\$ 2,849	\$ 4,189,925
\$ 311,110	\$ -28,760	\$ 282,350
2,405,273	31,255	2,436,528
\$ 2,716,383	\$ 2,495	\$ 2,718,878

Turkey Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2006

	General	Management Levy	Capital Projects	Non-major Special Revenue	Total
Assets					
Cash and Pooled Investments:					
Other	\$ 325,124	\$ 51,230	\$ 227,357	\$ 160,872	\$ 764,583
Receivables:					
Property Tax:					
Delinquent	32,487	2,023	-	2,708	37,218
Succeeding year	1,657,512	100,000	-	136,887	1,894,399
Accounts	-	-	-	3,683	3,683
Accrued interest:					
Other	105	-	540	-	645
Due from other governments	50,975	-	26,251	-	77,226
Total Assets	\$ 2,066,203	\$ 153,253	\$ 254,148	\$ 304,150	\$ 2,777,754
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 10,150	\$ -	\$ -	\$ 2,691	\$ 12,841
Salaries and benefits payable	14,117	-	-	-	14,117
Deferred Revenue:					
Succeeding year property tax	1,657,512	100,000	-	136,887	1,894,399
Early retirement benefits	-	4,471	-	-	4,471
Total Liabilities	\$ 1,681,779	\$ 104,471	\$ -	\$ 139,578	\$ 1,925,828
Fund Balances:					
Unreserved	\$ 384,424	\$ 48,782	\$ 254,148	\$ 164,572	\$ 851,926
Total Liabilities and Fund Balances	\$ 2,066,203	\$ 153,253	\$ 254,148	\$ 304,150	\$ 2,777,754

Turkey Valley Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (page 16)	\$ 851,926
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	2,122,007
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-515
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-257,035</u>
Net assets of governmental activities (page 13)	<u>\$ 2,716,383</u>

Turkey Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

	General	Management Levy	Capital Projects	Non-Major Special Revenue	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,606,911	\$ 100,049	\$ -	\$ 134,054	\$ 1,841,014
Tuition	279,544	-	-	-	279,544
Other	85,887	4,069	342,544	254,453	686,953
Intermediate sources	30,789	-	-	-	30,789
State sources	2,321,350	79	-	107	2,321,536
Federal sources	131,944	-	-	-	131,944
Total Revenues	\$ 4,456,425	\$ 104,197	\$ 342,544	\$ 388,614	\$ 5,291,780
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,163,743	\$ 29,520	\$ 2,791	\$ 26,520	\$ 2,222,574
Special instruction	413,974	-	-	-	413,974
Other instruction	351,132	-	-	239,564	590,696
	\$ 2,928,849	\$ 29,520	\$ 2,791	\$ 266,084	\$ 3,227,244
Support Services:					
Student services	\$ 160,743	\$ -	\$ -	\$ -	\$ 160,743
Instructional staff services	106,291	-	-	-	106,291
Administration services	527,835	-	-	-	527,835
Operation and maintenance of plant services	313,037	36,313	560	1,175	351,085
Transportation services	227,698	13,356	-	145,601	386,655
	\$ 1,335,604	\$ 49,669	\$ 560	\$ 146,776	\$ 1,532,609
Non-instructional programs	\$ 1,650	\$ -	\$ -	\$ -	\$ 1,650
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 149,259	\$ -	\$ 149,259
Long-Term Debt:					
Principal	-	-	-	133,499	133,499
Interest and fiscal charges	-	-	-	8,623	8,623
AEA flow-through	175,642	-	-	-	175,642
	\$ 175,642	\$ -	\$ 149,259	\$ 142,122	\$ 467,023
Total Expenditures	\$ 4,441,745	\$ 79,189	\$ 152,610	\$ 554,982	\$ 5,228,526
Excess (deficiency) of revenues over (under) expenditures	\$ 14,680	\$ 25,008	\$ 189,934	\$ -166,368	\$ 63,254
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ -	\$ 142,122	\$ 142,122
Operating transfers out	-	-	-142,122	-	-142,122
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -142,122	\$ 142,122	\$ -
Net change in fund balances	\$ 14,680	\$ 25,008	\$ 47,812	\$ -24,246	\$ 63,254
Fund balances beginning of year	369,744	23,774	206,336	188,818	788,672
Fund Balances End of Year	\$ 384,424	\$ 48,782	\$ 254,148	\$ 164,572	\$ 851,926

See notes to financial statements.

Turkey Valley Community School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2006

Net change in fund balances – total governmental funds (page 18) \$ 63,254

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 334,420	
Depreciation expense	<u>-199,591</u>	134,829

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		133,499
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-88

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>-20,384</u>
------------------	--	----------------

Change in Net Assets of Governmental Activities (page 15)		<u>\$ 311,110</u>
--	--	-------------------

Turkey Valley Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Preschool Program
Assets		
Cash and cash equivalents	\$ 6,391	\$ -
Accrued interest receivable	64	-
Inventories	4,799	-
Capital assets, net of accumulated depreciation	24,160	-
Total Assets	\$ 35,414	\$ -
Liabilities		
Excess of warrants over bank balance	\$ -	\$ 32,081
Deferred revenue-other	838	-
Total Liabilities	\$ 838	\$ 32,081
Net Assets		
Invested in capital assets, net of related debt	\$ 24,160	\$ -
Unrestricted	10,416	-32,081
Total Net Assets	\$ 34,576	\$ -

Turkey Valley Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Preschool Program
Operating revenues:		
Local sources:		
Charges for service	\$ 145,332	\$ 15,496
Contributions	-	500
	<u>\$ 145,332</u>	<u>\$ 15,996</u>
Operating expenses:		
Non-instructional programs:		
Salaries	\$ 70,047	\$ 38,961
Benefits	39,142	8,186
Purchased services	931	-
Supplies	110,263	930
Depreciation	3,313	-
Total operating expenses	<u>\$ 223,696</u>	<u>\$ 48,077</u>
Operating loss	<u>\$ -78,364</u>	<u>\$ -32,081</u>
Non-operating revenues:		
State sources	\$ 3,139	\$ -
Federal sources	76,197	-
Interest income	2,349	-
Total non-operating revenues	<u>\$ 81,685</u>	<u>\$ -</u>
Change in net assets	\$ 3,321	\$ -32,081
Net assets beginning of year	31,255	-
Net Assets End of Year	<u>\$ 34,576</u>	<u>\$ -32,081</u>

Turkey Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2006

	School Nutrition	Preschool Program
Cash flows from operating activities:		
Cash received from preschool fees	\$ -	\$ 15,996
Cash received from sale of lunches and breakfasts	143,486	-
Cash paid to employees for services	-109,189	-47,147
Cash paid to suppliers for goods or services	-92,652	-930
Net cash used by operating activities	\$ -58,355	\$ -32,081
Cash flows from non-capital financing activities:		
State grants received	\$ 3,138	\$ -
Federal grants received	57,715	-
Net cash provided by non-capital financing activities	\$ 60,853	\$ -
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ -501	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 2,454	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 4,451	\$ -32,081
Cash and cash equivalents beginning of year	1,940	-
Cash and Cash Equivalents End of Year	\$ 6,391	\$ -32,081
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ -78,364	\$ -32,081
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	18,344	-
Depreciation	3,313	-
Decrease in inventories	385	-
(Decrease) in deferred revenue	-2,033	-
Net Cash Used by Operating Activities	\$ -58,355	\$ -32,081

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$18,482 of federal commodities.

Turkey Valley Community School District

**Statement of Fiduciary Net Assets
Fiduciary Fund**

June 30, 2006

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 6,475</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Net Assets	
Reserved for scholarships	<u>\$ 6,475</u>

Turkey Valley Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2006

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 197
Deductions	
Support services:	
Scholarships awarded	\$ 600
Change in net assets	\$ -403
Net assets beginning of year	<u>6,878</u>
Net Assets End of Year	<u>\$ 6,475</u>

Turkey Valley Community School District

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in eastern Chickasaw, northwestern Fayette, southern Howard and southern Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Turkey Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Turkey Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Fund is used to account for all resources used for early retirement benefits and property and liability insurance of the District.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2006, expenditures in the instruction functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Total	<u>\$ 243,257</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Capital Projects	<u>\$ 142,122</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,046	\$ -	\$ -	\$ 31,046
Total capital assets not being depreciated	\$ 31,046	\$ -	\$ -	\$ 31,046
Capital assets being depreciated:				
Buildings	\$ 2,114,537	\$ 98,347	\$ -	\$ 2,212,884
Improvements other than buildings	89,030	-	-	89,030
Furniture and equipment	3,644,291	236,073	123,983	3,756,381
Total capital assets being depreciated	\$ 5,847,858	\$ 334,420	\$ 123,983	\$ 6,058,295
Less accumulated depreciation for:				
Buildings	\$ 546,526	\$ 58,243	\$ -	\$ 604,769
Improvements other than buildings	27,723	1,335	-	29,058
Furniture and equipment	3,317,477	140,013	123,983	3,333,507
Total accumulated depreciation	\$ 3,891,726	\$ 199,591	\$ 123,983	\$ 3,967,334
Total capital assets being depreciated, net	\$ 1,956,132	\$ 134,829	\$ -	\$ 2,090,961
Governmental Activities Capital Assets, Net	\$ 1,987,178	\$ 134,829	\$ -	\$ 2,122,007
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 39,258	\$ 501	\$ -	\$ 39,759
Less accumulated depreciation	12,286	3,313	-	15,599
Business Type Activities Capital Assets, Net	\$ 26,972	\$ -2,812	\$ -	\$ 24,160
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 98,951
Special				240
Other				4,216
Support services:				
Instructional staff services				597
Administration				7,043
Operation and maintenance of plant				10,627
Transportation				77,917
Total Depreciation Expense – Governmental Activities				\$ 199,591
Business Type Activities:				
Food service operations				\$ 3,313

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 341,877	\$ -	\$ 133,082	\$ 208,795	\$ 138,332
Early retirement	27,856	29,855	9,471	48,240	14,520
Total	\$ 369,733	\$ 29,855	\$ 142,553	\$ 257,035	\$ 152,852

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2006 totaled \$9,471.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	3%	\$ 138,332	\$ 4,380	\$ 142,712
2008	3%	70,463	620	71,083
Total		\$ 208,795	\$ 5,000	\$ 213,795

During the year ended June 30, 2006, the District made principal and interest payments totaling \$142,122 under the agreement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$166,178, \$103,002, and \$100,475, respectively, equal to the required contributions for each year.

(7) Risk Management

Turkey Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,642 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Commitments

The District has entered into a contract totaling \$61,358 for new doors and lockers, of which \$14,732 was not complete as of June 30, 2006.

(10) Deficit Balance

The Enterprise Fund Preschool Program had a deficit balance of \$32,081 as of June 30, 2006.

Required Supplementary Information

Turkey Valley Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,807,511	\$ 163,677
Intermediate sources	30,789	-
State sources	2,321,536	3,139
Federal sources	131,944	76,197
Total Receipts	<u>\$ 5,291,780</u>	<u>\$ 243,013</u>
Disbursements:		
Instruction	\$ 3,227,244	\$ -
Support services	1,532,609	-
Non-instructional programs	1,650	271,773
Other expenditures	467,023	-
Total Disbursements	<u>\$ 5,228,526</u>	<u>\$ 271,773</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 63,254	\$ -28,760
Balances beginning of year	<u>788,672</u>	<u>31,255</u>
Balances End of Year	<u>\$ 851,926</u>	<u>\$ 2,495</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts	Final To Actual Variance
\$ 2,971,188	\$ 2,925,521	\$ 45,667
30,789	25,000	5,789
2,324,675	2,346,135	-21,460
208,141	250,000	-41,859
\$ 5,534,793	\$ 5,546,656	\$ -11,863
\$ 3,227,244	\$ 3,207,440	\$ -19,804
1,532,609	1,732,017	199,408
273,423	352,800	79,377
467,023	490,689	23,666
\$ 5,500,299	\$ 5,782,946	\$ 282,647
\$ 34,494	\$ -236,290	\$ 270,784
819,927	960,954	-141,027
\$ 854,421	\$ 724,664	\$ 129,757

Turkey Valley Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted.

Other Supplementary Information

Turkey Valley Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 93,193	\$ 67,679	\$ 160,872
Receivables:			
Property Tax:			
Delinquent	-	2,708	2,708
Succeeding year	-	136,887	136,887
Accounts	3,683	-	3,683
Total Assets	\$ 96,876	\$ 207,274	\$ 304,150
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ 2,691	\$ -	\$ 2,691
Deferred revenue:			
Succeeding year property tax	-	136,887	136,887
Total Liabilities	\$ 2,691	\$ 136,887	\$ 139,578
Fund Equity:			
Unreserved fund balances	\$ 94,185	\$ 70,387	\$ 164,572
Total Liabilities and Fund Equity	\$ 96,876	\$ 207,274	\$ 304,150

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2006

	Debt Service	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ -	\$ 134,054	\$ 134,054
Other	-	251,291	3,162	254,453
State sources	-	-	107	107
Total Revenues	\$ -	\$ 251,291	\$ 137,323	\$ 388,614
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ -	\$ 26,520	\$ 26,520
Other instruction	-	239,564	-	239,564
Support Services:				
Operation and maintenance of plant services	-	-	1,175	1,175
Transportation services	-	-	145,601	145,601
Other Expenditures:				
Long-Term Debt:				
Principal	133,499	-	-	133,499
Interest	8,623	-	-	8,623
Total Expenditures	\$ 142,122	\$ 239,564	\$ 173,296	\$ 554,982
Excess (deficiency) of revenue over (under) expenditures	\$ -142,122	\$ 11,727	\$ -35,973	\$ -166,368
Other Financing Sources (Uses):				
Operating transfers in	\$ 142,122	\$ -	\$ -	\$ 142,122
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 142,122	\$ -	\$ -	\$ 142,122
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 11,727	\$ -35,973	\$ -24,246
Fund balances beginning of year	-	82,458	106,360	188,818
Fund Balances End of Year	\$ -	\$ 94,185	\$ 70,387	\$ 164,572

Turkey Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ 12,626	\$ 36,333	\$ 38,394	\$ -577	\$ 9,988
General accounts	7,532	4,234	200	-2,897	8,669
Materials for resale (resale)	13,602	6,987	8,343	-721	11,525
Athletics	14,764	135,910	125,578	1,357	26,453
School music groups (Fine Arts)	2,607	16,328	18,670	2,877	3,142
School clubs (classes)	26,618	30,714	30,265	-64	27,003
Other student activities (clubs)	4,709	20,785	18,114	25	7,405
Total	\$ 82,458	\$ 251,291	\$ 239,564	\$ -	\$ 94,185

Turkey Valley Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local Sources:				
Local tax	\$ 1,841,014	\$ 1,745,603	\$ 1,969,085	\$ 1,740,020
Tuition	279,544	273,768	236,100	218,484
Other	686,953	608,742	239,177	284,587
Intermediate sources	30,789	43,048	18,517	14,959
State sources	2,321,536	2,356,429	2,278,572	2,411,158
Federal sources	131,944	65,365	138,912	124,675
Total	\$ 5,291,780	\$ 5,092,955	\$ 4,880,363	\$ 4,793,883
Expenditures:				
Instruction:				
Regular instruction	\$ 2,222,574	\$ 2,116,665	\$ 2,208,594	\$ 2,242,254
Special instruction	413,974	476,850	533,625	570,945
Other instruction	590,696	585,332	370,072	399,333
Support services:				
Student services	160,743	155,344	150,408	149,076
Instructional staff services	106,291	107,817	121,326	139,993
Administration services	527,835	458,538	541,578	495,066
Operation and maintenance of plant services	351,085	476,565	360,838	316,118
Transportation services	386,655	216,797	259,647	251,323
Non-instructional programs	1,650	24,553	769	1,084
Other expenditures:				
Facilities acquisition	149,259	64,531	460,228	322,024
Long-term debt:				
Principal	133,499	130,185	116,469	11,025
Interest and other charges	8,623	12,492	14,731	444
AEA flow-through	175,642	175,918	179,687	193,510
Total	\$ 5,228,526	\$ 5,001,587	\$ 5,317,972	\$ 5,092,195

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 26, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Turkey Valley Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turkey Valley Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Turkey Valley Community School District and other parties to whom Turkey Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Turkey Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA", is written over a horizontal line.

Keith Oltrogge
Certified Public Accountant

September 26, 2006

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2006

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-06 Unrecorded Agency Funds – There are several agency bank accounts which the District has not recorded on its books. These bank accounts are under the School's Federal ID Number.

Recommendation – The District should account for all agency funds that are truly in the District's control. If the funds are not in the District's control, the accounts should be put under a different Federal ID Number.

Response – We will do this.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2006

Part II - Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Expenditures for the year ended June 30, 2006 exceeded the certified budget amount in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting, including all disbursements from all funds

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was not filed with the Iowa Department of Education timely.

Recommendation – The District needs to file the Certified Annual Report in the prescribed time limits established by the Department of Education.

Response – We will do this in the future.

Conclusion – Response accepted.

11-J-06 Deficit Balance – The Enterprise Fund Preschool Program had a deficit balance of \$32,081 as of June 30, 2006.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District made a transfer from the General Fund to eliminate the deficit balance after June 30, 2006.

Conclusion – Response accepted.